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**SECRETARY, BOARD OF
OIL, GAS & MINING**

**BEFORE THE BOARD OF OIL, GAS AND MINING
DEPARTMENT OF NATURAL RESOURCES
STATE OF UTAH**

IN THE MATTER OF THE REQUEST FOR AGENCY ACTION OF QEP ENERGY COMPANY FOR AN ORDER ESTABLISHING A 320-ACRE DRILLING AND SPACING UNIT FOR A SINGLE HORIZONTAL WELL, THE OP 4G-12-7-20 WELL, FOR PRODUCTION OF OIL AND GAS FROM THE GREEN RIVER FORMATION UNDERLYING THE W $\frac{1}{2}$ OF SECTION 12 IN TOWNSHIP 7 SOUTH, RANGE 20 EAST, SLM, UINTAH COUNTY, UTAH.

**REQUEST FOR
AGENCY ACTION**

Docket No. 2014-015

Cause No. 142-12

QEP Energy Company (“QEP”), by and through its attorneys, Holland & Hart LLP, pursuant to Utah Code Ann. §§ 40-6-5(3)(b) and 40-6-6, hereby requests the Board of Oil, Gas and Mining (the “Board”) to enter an order establishing a 320-acre drilling and spacing unit for the production of oil and gas from the Green River Formation underlying the W $\frac{1}{2}$ of Section 12, Township 7 South, Range 20 East, SLM, in Uintah County, Utah (the “Subject Lands”).

In support of its Request for Agency Action (the “Request”), QEP respectfully states and represents:

1. QEP is a Texas Corporation in good standing, with its principal place of business in Denver, Colorado. QEP is qualified to do business in Utah and is fully and appropriately bonded with all Federal and State of Utah agencies.

2. The Board has jurisdiction over the parties and of the subject matter of this Request pursuant to Utah Code Ann. § 40-6-1, *et seq.*

3. The Subject Lands are within the area generally known as the Brennan Bottom Field. The oil and gas underlying the Subject Lands is owned by the United States of America and the NW $\frac{1}{4}$ and the NE $\frac{1}{4}$ SEW $\frac{1}{4}$ is leased under United States Oil and Gas Lease UTU-88140 and the NW $\frac{1}{4}$ SW $\frac{1}{4}$ and the S $\frac{1}{2}$ SW $\frac{1}{4}$ is leased under United States Oil and Gas Lease UTU-86331. QEP owns a majority of the working interest in both of these leases.

4. The interval comprising the Green River Formation is defined for purposes of this Request as:

the stratigraphic equivalent from 3592' in the OP 4G-16 wellbore, located in the NW $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 4, T7S, R20E, SLM to 7480' in the West Brennan Federal 1 wellbore, located in the SW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 1, T7S, R20E, SLM.

5. The OP 4G-12-7-20 Well (the "Subject Well") is a horizontal well with a surface location of 846 feet FNL and 843 FWL in the NW $\frac{1}{4}$ NW $\frac{1}{4}$ and a producing lateral extending from 1,574 feet FNL and 1,104 feet FWL in the NW $\frac{1}{4}$ NW $\frac{1}{4}$ to 2,198 feet FSL and 1,543 feet FWL in the NE $\frac{1}{4}$ SW $\frac{1}{4}$. The Subject Well was completed and began producing on April 21, 2011 from the Green River Formation.

6. The Subject Lands currently are not subject to any spacing order of the Board. These lands were previously included as part of the Ouray Park Unit ("OP Unit"), which was established on September 21, 2010. By order of the Board, the State of Utah's general well location and siting rules were suspended within the OP Unit. The Subject Well was located and drilled within the unit boundaries, and therefore, was not subject to, or drilled in conformance with, the general location and siting rules. The OP Unit terminated effective October 22, 2011, after the Subject Well began producing. Because the OP Unit has terminated, QEP needs to establish a drilling and spacing unit for the Subject Well.

7. Utah Admin. Code R649-3-2(3) through (7) govern the drilling of horizontal wells. These rules: (1) provide that no portion of the horizontal interval may be located closer than 660 feet to a drilling or spacing unit boundary; (2) establish a “temporary six hundred and forty (640) acre spacing unit” for a horizontal well; and (3) require that the horizontal interval may not be located closer than 1,320 feet to any vertical well. Exceptions to these rules may be administratively granted by DOGM in accordance with Utah Admin. Code R649-3-2(9).

8. Through this Request, QEP is seeking a 320-acre drilling and spacing unit with a single horizontal well. As stated above, the default rules for horizontal wells create a temporary 640-acre spacing unit. However, QEP believes that a 320-acre drilling and spacing unit is appropriate for the Subject Well. A Board order is required to create this drilling and spacing unit.

9. Additionally, since the Subject Lands include portions of two federal leases, a communitization agreement is required. In order to approve a communitization agreement, the Bureau of Land Management requires the Board to issue an order establishing a drilling and spacing unit. To comply with Federal regulations and guidelines, the order and the communitization agreement should be made effective as of the date of first production. Therefore, in order to properly allow for communitization, QEP requests that the 320-acre drilling and spacing unit be granted effective as of the date of first production for the Subject Well.

10. QEP believes that the only efficient and economical way to develop the Subject Lands is through a combination of a horizontal well and vertical wells. As a result, consistent with prior precedent of the Board, QEP requests that the horizontal drilling and spacing unit sought by this Request be applicable to only the horizontal well. Future vertical wells will continue to be located and drilled in accordance with the general location rules, pursuant to Utah Admin. Code R649-3-2(5) which provides that “[v]ertical wells drilled to and completed in the

same formation as in a horizontal well are subject to applicable drilling unit orders of the board or other conditions of this rule that do no specifically pertain to horizontal wells and may drilled and produced as provided therein.” The rule further provides setback requirements for horizontal and vertical wells “completed in and producing from the same formation.” Thus, under the current rules, the drilling unit for a horizontal well is separate from the location and siting rules associated with vertical wells. Vertical wells can continue to be located in a horizontal drilling unit in accordance with DOGM and the Board’s general well location and siting rules. QEP believes that a combination of one existing horizontal well and future vertical wells will allow for full development of the Subject Lands.

11. Utah Admin. Code R649-3-2(5) provides that “[a]ny horizontal interval shall not be closer than one thousand three hundred and twenty (1,320) feet to any vertical well completed in and producing from the same formation.” Based on the data collected in producing the Subject Well, QEP believes that this setback requirement is not warranted. Therefore, QEP requests that the setback between the horizontal well and vertical wells within the 320-acre drilling and spacing unit be set at 200 feet.

12. QEP is the operator of the Subject Well. Geologic and engineering data obtained from this well, in addition to information obtained other wells in the surrounding area, suggest that the Subject Well will not drain an area larger than 320-acres.

13. QEP believes that the requested order will allow for the orderly development of the Subject Lands, will prevent waste, will adequately protect the correlative rights of all affected parties, and is just and reasonable.

14. QEP is filing, concurrent with the filing of this Request, a separate certificate of mailing which lists all persons known to QEP whose legally protected interests in the Subject Lands will be affected by this Request, together with their last known addresses. Said list contains the names and addresses of known mineral owners (lessors), overriding royalty or other

production interest owners, working interest owners (lessees) and active producers and operators. There are no respondents or adverse parties known to QEP at this time.

WHEREFORE, QEP respectfully requests that:

1. This Request be set for hearing at the regularly scheduled meeting of the Board on March 26, 2014.
2. That due notice of such hearing be given as provided by law.
3. That following said hearing, the Board enter an order:
 - (a) Establishing a 320-acre acre drilling and spacing unit for the OP 4G-12-7-20 Well for the production of oil and gas from the Green River Formation covering the Subject Lands.
 - (b) Allowing the continued location and drilling of all future vertical wells within the Subject Lands in conformance with the default siting and location rules as found in Utah Admin. Code R649-3-2 and Utah Admin. Code R649-3-3, excepting that the setback between the vertical well and horizontal wells should be set at 200 feet.
 - (c) Declaring that the drilling and spacing unit will be retroactively effective as April 21, 2011, the date of first production for the OP 4G-12-7-20 Well.
 - (d) Making such findings and orders in connection with this Request as it deems necessary.
 - (e) Providing for such other and further relief as may be just and equitable under the circumstances.

Respectfully submitted this 10th day of February, 2014.

QEP ENERGY COMPANY

By



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